RESEARCH ARTICLE

INTERNATIONAL TRADE, TRADE LIBERALIZATION AND ITS IMPACT IN ALBANIAN ECONOMY

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Abstract
Trade is an important factor for the economic performance of country, especially for small countries like Albania. In the recent years there have been many reforms in increasing trade performance, different bilateral and multilateral agreements have been signed. The aim of this paper is to analyze the factors that impact import and export performance focusing in the impact of trade liberalization, trade volume and its effects in import export. Our country has continously orientated its policies in order to increase exports and improve trade balances. This study focuses also in how different trade theories can explain the development of trade liberalization in the country.

Key words: international trade, trade liberalization, trade balance

1. Introduction
The actual situation of international trade in Albania is determined by trade policies and the process of integration and liberalization. The first part of this study focuses in the development of integration and liberalization processes in Albania and the Balkans and the recent developments in the field in the region. The second part analyses trade flows from 1993 until 2013, focusing mainly the geograpical structure of the imports and exports (Ministry of Finance, INSTAT, METE, Bank of Albania, FMN, and ACIT database). International trade contributes to growth. If we consider imports, trade liberalization impacts positively the growth of imports through price sensibility and income change (Bank of Albania, Balance of payments from 2002 to 2009, ACIT database). Trade should be combined with adequate policies in order to balance imports and exports, it can generate trade deficits and deficits of the balance of payements, it can cause the deterioration of real income. Trade policies in Albania have been oriented continiously to accelerate exports and to improve trade balances. Trade policy was translated in signing bilateral and multilateral agreements with UE and other countries (World trade Organization (2013)). This aggrements enlarge markets for the commercial exchange and they create adequate conditions for attracting FDI.

2. Research Methodology
Sample

This study was realized taking as sample individuals holding managerial positions in public institutions that are implicated in international trade policies.

Methodology
Face-to-face semi-structured interviews with the managers of this institutions. The questions consisted mainly having information about the process of trade liberalization. The information from the interviews was compared to the information from the website of these institutions.

3. Results and Discussion
The process of trade liberalization in Albanian can be divided in different phases (Bank of Albania, “Declarations for the development of the external sector of the Albanian economy for 2002”)

- Autonomous liberalization (the beginning of transition), the two main reforms were: liberalization of prices, and the disparition of state monopoly in foreign trade, and the liberalization of current accounts etc.
- Regional liberalization which is concretized with the aggrements that have to do with the process of integration in the UE. i
- Multilateral liberalization that was concretized with WTO membership in september 2000.

Multilateral agreements
Since september 2000 Albania is a member of WTO, national trade policies have a global orientation that is regulated by WTO. Our country had a maximal tariff of 20%. Albania has a close trade relationship with UE.
In 2003, the agreement for stabilization and association was signed, the main focus were technical negotiations for industrial and agricultural products. (Bank of Albania (2003): Declarations for the development of the external sector of the Albanian economy for 2003) The agreement was signed in 2006 in Luxembourg, for industrial products and for some agricultural products, there will be zero tariff with UE (Albania 2010 trade report). The reform process started after 1990 and it had some phases such as the disparitions of state monopolies, the absence of restriction in imports and exports, the absence of taxes for exports and the establishment of differentiated tariffs for imports. The main traits of trade policy are:

*Graphic 1:* Reduction of average tariff 1996-2013

*Graphic 2:* Export, Import and Trade deficit 1996-2013

*Graphic 3:* Main partners in export

Data: METE, 2013 (Weighted rates in%)  
Data: IMF, World Economic Outlook, April 2014.  
Data: ACIT 2013, ACIT database
One of the major current preoccupations for the economic equilibrium of the country is the high level of trade deficit. The increase of the volumes of imports have a positive impact that it is shown through the reallocation of financial resources in the economy, the volume of exports is low, this show the low degree of the restructuration of the economy. Insecurity is caused by the lack of financial resources in order to afford the high volume of imports, foreign financing can decrease as well remittances from emigrants. Increasing exports should be the priority especially in long term also decreasing imports should be a priority in the short term.

Exports toward EU increased from 48% to 54% in 2008 (UN Comtrade, World Bank, 2009). This is due to the to the favorable conditions of preferential trade of EU to Western Balkans Countries. This similar to happened in the case of Central European counties where the prefencial acces to the markets accordingly to european agreements contributed to the increase of exports. Albania is an extreme case: it exports 90% of its products towards EU but more than 75% of them is exported in Greece and Italy (Bank of Albania: Declarations for the development of the external sector of the Albanian economy for 2012)

Table 1. Albanian trade with UE countries

<table>
<thead>
<tr>
<th>Years</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export</td>
<td>474</td>
<td>556</td>
<td>647</td>
<td>625</td>
<td>594</td>
<td>174</td>
</tr>
<tr>
<td>Import</td>
<td>1.422</td>
<td>1.586</td>
<td>1.818</td>
<td>2.204</td>
<td>2.164</td>
<td>468</td>
</tr>
<tr>
<td>Trade balance</td>
<td>-947</td>
<td>-1.029</td>
<td>-1.171</td>
<td>-1.579</td>
<td>-1.579</td>
<td>-294</td>
</tr>
</tbody>
</table>

4. Conclusions
- The reform of trade policy is important for the economic development of Albania.
- Concerning the development of foreign trade in Albania after '90’, we can say that imports have increased a lot due to the increase of demand and the lack of possibility to accomplish the requirement of demand from national production. Even if the yearly average growth of exports is high, the volume of exports is low compared to imports, this shows the low degree of the restructuration of economy in Albania.
- The total value of imports and exports has increased during the last decade, the most important growth was during 2000 because of the political stability. EU is the most important market for western balkan countries.
- Future long term policies should be orientated towards exports, import substitution is considered a short term policy. In Albania the strategy of substitution of imports requires attention because of the different effects derived from the intensive process of trade liberalization and its impact in the demand for imports. The low degree of covering imports(export/import) shows the importance of policies that accomodate exports. The substitution of imports has the same impact. Port, në të njëjtin drejtim ndikojnë edhe masat që do të rezultton në zevendësimin e importeve, apo pakësimin relativ të tyre (në krahasim me PBB).
- Increasing exports is possible only through increasing the competitive advantage of the economy through restructuring reform, eliminaring administrative barriers Rritja e eksporteve bëhet e mundur vetëm në rrugën e rritjes së afëtësisë konkurreuse të ekonomisë. Faktorë të rëndësishëm në rritjen e afëtësisë konkurreuse të ekonomisë janë ecuria e reformave ristrukturuese, improving investment policies and improving business micro-environment.

6. References


